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September 27, 2000

Ms. Magalie R. Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

**Ex Parte: Implementation of the Local Competition Provisions in the  
Telecommunications Act of 1996 – CC Docket No. 96-98**

Dear Ms. Salas,

On Tuesday, September 26, 2000, Augie Trinchese, Ed Shakin and the undersigned, representing Verizon, met with Dorothy Attwood, Michelle Carey, Glen Reynolds, Kathy Farroba, and Jon Reel of the Common Carrier Bureau. The purpose of the meeting was to discuss issues raised in Verizon's Petitions for Reconsideration of the UNE Remand Order regarding the ILEC's obligation to provide unbundled local switching. The attached material was used in the discussions.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceeding indicated above.

If you have any questions regarding this matter, please call me at (202) 463-5293.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Scott Randolph", written over a horizontal line.

W. Scott Randolph  
Director - Regulatory Matters

cc: Dorothy Attwood  
Michelle Carey  
Glen Reynolds  
Kathy Farroba  
Jon Reel



**UNE REMAND LOCAL SWITCHING**

September 26, 2000

### **Competitors Do Not Dispute Large Numbers of Competitive Switches**

- Competitors have deployed over 300 switches in the Verizon-East region (former BA and NYNEX territories) as of July 2000.
- Competitors have obtained 8300 NXX codes in the Verizon-East region alone.
- CLEC switches in the Verizon – East territory, since March 1999, have increased by 80%.
- CLECs' switches are capable of serving potentially distant areas and all classes of customers. CLECs acknowledge this fact in their advertisements.

Long Island Telephone for example (see Attachment A1):

“Whether you need to reach across town  
or across the globe, our advanced technology  
provides you with seamlessly integrated voice  
and data.”

- There is no credible argument that competing carriers are generally impaired in offering competing switching services.

## **Instead Competitors Argue That They Can Not Use These Switches To Service The Smaller Business Market**

- Just because many competing carriers' entry strategy targets large businesses does not mean that they are impaired in their ability to serve small businesses.

## **Existing Competition Shows That Competing Carriers Are Not Impaired In Serving Business Customers With Few Lines**

- CLECs actively promote the fact that they serve the small and medium business markets.  
For example ( see Attachment A2 ):
  - Allegiance Telecom: “ Royce Holland, CEO of Allegiance Telecom, ‘ We’re in a great position today, having operations in 17 markets around the country serving medium and small businesses.”
  - Intermedia: “ Since 1987 Intermedia Communications has been transforming complex communications technologies into integrated, easy-to-use voice and data solutions tailored to small and mid-sized business.”
- CLECs are actively advertising that they are full service providers (see Attachment A1).
- The fact that many competing carriers’ entry strategy targets large business, does not mean that they are impaired in their ability to serve small business.

## **Data Supports That CLECs Can And Are Serving All Classes Of Customers With Their Own Switches**

- The data does not support the oppositions' claims that lack of access to the switching UNE and the UNE-P platform will impede the ability to provide service to the business market with lines below the DS1 level.
  - 80% of all hot cut orders for Verizon-East are for customers with 3 or less lines.
  - Year to date ( thru 9/17 ), Verizon – East has lost more than 320,000 business lines for customers with less than 20 lines, of which more than 40% of that loss was for customers with 1 or 2 lines.
  - An analysis of ported numbers for the month of July in NY demonstrates that 99% of the lines being ported are orders with 12 lines or less, with approximately 40% of the total between 4 and 12 lines.
  - The CLECs' own advertisements indicate that businesses with 12/15 lines are being served.

**Where Carriers Do Have The UNE Platform Available, They Are Not Using It For Business Customers, Regardless Of Size**

- Data for Verizon-East, shows that 93% of the existing UNE-P arrangements are being used for residential customers.
- This suggests that if the Commission retains a UNE switching requirement based on market segment, the appropriate division is that all business lines should be exempt.
- Clearly, CLECs are serving business customers of all sizes and furthermore, they are serving them with their own switches as well as their own facilities. CLECs are not dependent on UNE-P to serve business customers.

## **The Order Did Not Violate The Small Business Act**

- Section 3(a)(2)(C) of the Small Business Act addresses definition of a small business for the purpose of government programs.
- The Commission did not attempt to impose a definition of “small business” in its order. Instead, it set a benchmark to determine if competing carriers are impaired in providing a competing service without an unbundled network element.
- The line cut-off was an effort to define what market segment was impaired, not to create a special exemption for a defined class of small business customers.
- In its tariff requirements, the Commission has already segmented the market between business services and residential services.

## **The UNE Switching Exception Should Not Be Limited To The Top 50 MSAs**

- Data for Verizon – East, shows that 50% of rate centers not in the top 50 MSAs and not in any MSAs, are served by 2 CLEC Switches or more.

	1 or More CLEC Switches		2 or More CLEC Switches		3 or More CLEC Switches	
	# RCs	%	# RCs	%	# RCs	%
<b>Rate Centers in Top 50 MSAs</b>	600	41%	509	50%	443	60%
<b>Rate Centers Outside Top 50/Not in Any MSA</b>	852	59%	499	50%	291	40%
<b>Total</b>	1,452	100%	1,008	100%	734	100%

- CLECs are serving customers beyond the top 50 MSA.

CLEC Name	Number of Switches		Quotes
	LERG	CLEC Report	
Allegiance Telecom	18	16	<p>"Allegiance Telecom is a competitive local exchange carrier offering services to small and medium -sized business in Tier 1 markets throughout the United States."<sup>1</sup></p> <p>Royce Holland, CEO of Allegiance Telecom, "We're in a great position today, having operations in 17 markets around the country serving medium and small businesses."<sup>2</sup></p> <p>Allegiance expands product set focused on small to medium sized business user with new data/Internet based products and services uniquely focused on small-medium sized businesses.<sup>3</sup></p> <p>"The creation of our on-line business center fortifies Allegiance Telecom's position to deliver an expanded line of value-added business applications. These focused services are directed to the underserved medium and small business market, our specifically targeted customer base," said Dan Yost, Allegiance president and chief operating officer.<sup>4</sup></p>
AT&T	173	105	AT&T offers local, long distance, data, internet, and wireless services targeted to small business. <sup>5</sup>
ChoiceOne	8	9	<p>"Choice One aims to be a 'one-stop shop' for telecommunication solutions to small and medium -sized businesses, offering a bundle of local, long-distance, data/DSL and Internet services in Tier 2 and 3 markets throughout the Northeast."<sup>6</sup></p> <p>Choice One Communications is an Integrated Communications Provider offering facilities-based voice and data telecommunications services to small and medium-sized businesses in the Northeast.<sup>7</sup></p> <p>Choice One offers local exchange and long distance telecommunications services, high-speed data, Internet and DSL solutions, and web design and hosting primarily to small and medium-sized businesses in second and third tier markets in the Northeast, U.S.<sup>8</sup></p>

<sup>1</sup> Carr, C., et al, CIBC World Markets Corp., Investext Rpt No. 2148873, Allegiance Telecom—Company Report at \*1 (April 26, 2000).

<sup>2</sup> J. Bartash, *Allegiance Chief's Plans to Succeed*, CBS MarketWatch (Oct. 2, 1999), [http://cbs.marketwatch.com/archive/19991002/news/current/soapbox.htm?source=htx/http2\\_mw&dist=na](http://cbs.marketwatch.com/archive/19991002/news/current/soapbox.htm?source=htx/http2_mw&dist=na).

<sup>3</sup> Allegiance Telecom Investor Relations, *Allegiance Telecom Announces Third Quarter Results*, Oct. 18, 1999.

<sup>4</sup> Allegiance Telecom, *Allegiance Telecom Announces Results for Fourth Quarter and Year-End 1999*, [http://www.allegiancetele.com/investor\\_relations.html](http://www.allegiancetele.com/investor_relations.html)

<sup>5</sup> AT&T, *Small Business Center Home*, [http://sbc.bus.att.com/small\\_business/index.jhtml](http://sbc.bus.att.com/small_business/index.jhtml).

<sup>6</sup> Carr, C., CIBC World Markets Corp., Investext Rpt No. 2105071, Choice One Communications Inc: Initiating Coverage—Company Report at \*5 (Mar. 14, 2000).

<sup>7</sup> Choice One News Release, *Choice One Communications Announces Preliminary First Quarter Results*, Apr. 6, 2000.

<sup>8</sup> Choice One News Release, *Choice One Communications Announces Preliminary First Quarter Results*, Apr. 6, 2000.

CLEC Name	Number of Switches		Quotes
	LERG	CLEC Report	
e.spire	20	28	e.spire...was established in 1993 to provide a choice of telecommunications services to small- to medium-sized business customers. <sup>9</sup>  In contrast to the telecom giants, we are focused on providing integrated communications solutions that will help our small- to medium-sized business customers thrive in today's networked economy," said e.spire Chairman and CEO Anthony J. Pompliano. <sup>10</sup>
Intermedia	35	29	"Since 1987 Intermedia Communications has been transforming complex communications technologies into integrated, easy-to-use voice and data solutions tailored to the demanding needs of small and mid-sized business." <sup>11</sup> Intermedia offers seamless end-to-end service through a comprehensive portfolio of local, long-distance, high-speed data and Internet services. <sup>12</sup>
Teligent	25	32	Teligent's target customer are the "millions of small and medium-sized businesses...who constitute roughly two-thirds of the market for business communications services." <sup>13</sup>  "Teligent intends to offer small and medium-sized business customers a low-cost, integrated package of local, long distance, high-speed data, Internet access and videoconferencing services over its own digital, fixed-wireless networks." <sup>14</sup>
WorldCom	118	95	WorldCom offers a full range of services for small businesses and home offices. <sup>15</sup>

<sup>9</sup> e.spire, Company Overview, [http://www.espire.net/information/company\\_overview.cfm](http://www.espire.net/information/company_overview.cfm).

<sup>10</sup> e.spire Press Release, *e.spire Turns Up Voice Switches In New York City, Philadelphia And Las Vegas; Completes Washington, Dc/Northern Virginia Fiber-Optic Network*, Sept. 29, 1999.

<sup>11</sup> Intermedia Communications, *At A Glance: Company Profile*, <http://www.intermedia.com/pressroom/ata glance.html>.

<sup>12</sup> Intermedia Communications, *At A Glance: Company Profile*, <http://www.intermedia.com/pressroom/ata glance.html>.

<sup>13</sup> Teligent, *Teligent Customers: The Target Market*, <[www.teligentcorp.com/](http://www.teligentcorp.com/)>.

<sup>14</sup> Teligent Press Release, *Teligent Signs Building Access Agreement with CarrAmerica*, <http://www.teligentcorp.com/>

<sup>15</sup> MCIWorldCom, *For Your Small Business*, [http://www.wcom.com/for\\_your\\_small\\_business/indexc.phtml](http://www.wcom.com/for_your_small_business/indexc.phtml).

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Attachment A1



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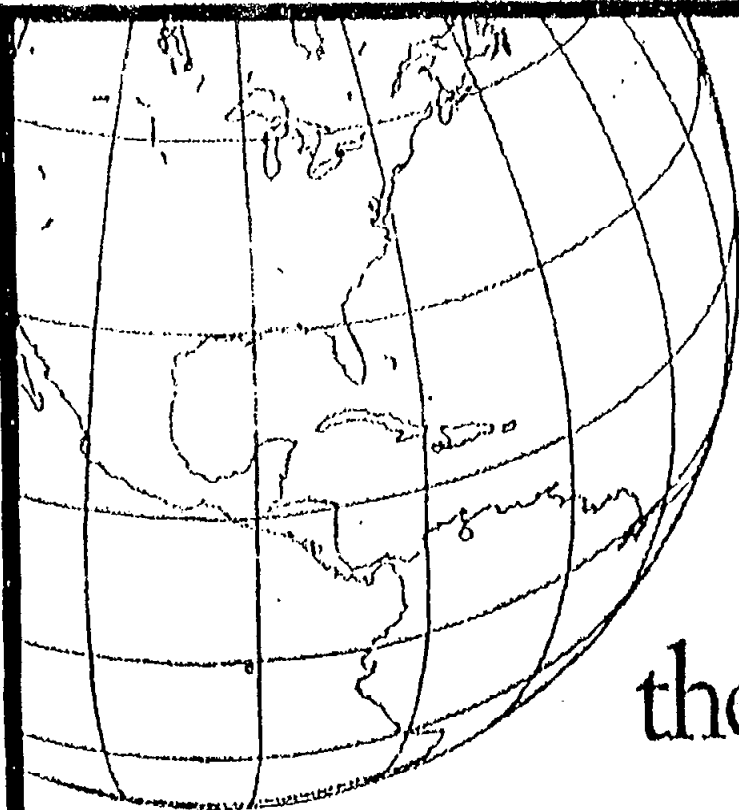
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